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INTELLIGENCE BRIEF

KOSYGIN NOTES FUEL PROBLEMS

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KOSYGIN NOTES FUEL PROBLEMS

In his speech of 9 December 1964, Kosygin drew attention to certain fuel supply problems in the past and anticipated their continuance in 1965. 1/ The problems noted pertain principally to the effective distribution of fuels rather than to the total available supply. The national production of fuels in the USSR continues to provide adequate supplies for the domestic economy as well as growing surpluses of petroleum and coal for export. However, the European USSR, with its concentration of energy-intensive industries, historically has been energy-deficient, in terms of local production, and the USSR has been faced over the years with the problem of balancing the movement of the required supplies of energy (including electric power) into this area.

Kosygin reasoned that certain difficulties had arisen in the fuel balance because quotas for output of coal and gas under the Seven Year Plan (1959-65) were not being met while consuming sectors of the economy continued to grow according to plan.* Under these conditions it might be expected that exports of all forms of energy would be cut back. On the contrary, exports of all fuels have continued to increase regularly,** and net exports of crude oil*** in 1963 accounted for more than 24 percent of domestic output compared with only 13 percent in 1958. Similarly, net exports of coal (and coke) have continued to increase,

* Coal has lagged badly behind the annual levels of output established by the original Seven Year Plan, and cumulative output during 1959-64 will be roughly 230 million metric tons less than the original schedule. Similarly, there has been difficulty in meeting annual goals for output of gas, to the extent that the goal for 1965 has been revised downward by 15 percent. Failure to meet goals for output of gas may be attributed in large part to the failure to prepare consumers.

** In contrast, the original Seven Year Plan called for only modest increases in the export of oil -- to about 33 million metric tons in 1965 -- and for a decline of 20 percent in the export of coal. 2/ In actuality the original goal for 1965 for oil exports was achieved in 1960, and exports of coal, rather than declining since 1958, have continued to increase from year to year.

*** For this calculation, exports of petroleum products are expressed in terms of crude oil equivalents (1 ton of crude oil is equal to 0.92 ton of petroleum products).

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representing more than 4 percent of output in 1963 compared with less than 2 percent in 1958. There is little doubt, however, that the continuation of these exports is motivated by the urgent need to enlarge the earnings of foreign exchange.

Earlier this year the Soviet press carried considerable comment regarding the increasing deficiency of energy in the European USSR. This flurry of publicity apparently was occasioned by the competition among the coal, electric power, and oil interests for their "proper" share of limited investment funds. Each argued that the mounting energy problem in the European USSR could best be resolved only through priority expansion of its own industry in the eastern regions of the country. Generally, however, shortages of fuel are more local in nature, caused by transportation difficulties and/or peak demands during the harvest and winter seasons.

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